The following examples are offered to clarify the coding of expenditures for computer hardware, software, and other technological components.

Example 1: Purchase of Software for Use by Students

(a) In this example, the software is an integral part of a core curriculum adopted by the State Board of Education and is a part of the approved list of instructional materials.

Fund	Resource	Project Year	Goal	Function	Object	School
01	7155	0	1110	1000	4100	000

- Fund 01 is the General Fund.
- Resource 7155 is Instructional Materials: Grades K–8.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, Grades K–12.
- Function 1000 is Instruction.
- Object 4100 is Approved Textbooks and Core Curricula Materials.
- School is not required.

(b) Instructional software is purchased for use as a reference tool for students in the classroom.

Fund	Resource	Project Year	Goal	Function	Object	School
01	1100	0	1110	1000	4200	000

- Fund 01 is the General Fund.
- Resource 1100 is State Lottery.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, Grades K–12.
- Function 1000 is Instruction.
- Object 4200 is Books and Reference Materials.
- School is not required.

(c) Computer games are purchased for use in the classroom during rainy day recesses.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	1110	1000	4300	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, Grades K–12.
- Function 1000 is Instruction.
- Object 4300 is Materials and Supplies.
- School is not required.

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(d) The district's data processing department purchases a new financial accounting system to implement SACS. This is a major system that handles financial data, personnel data, student attendance, and student grades. The contract includes four costs: a software purchase price of $15,000, a maintenance agreement of $10,000, a one-time research and development cost of $5,000, and one-time training for $3,000.

Fund	Resource	Project Year	Goal	Function	Object	Amount
01	0000	0	0000	7700	6400	$33,000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7700 is Data Processing Services.
- Object 6400 is Equipment.

In this example, the initial cost of the software is capitalized; often, a purchase contract does not specify the price for each of these components. The cost includes the research and development fee and the maintenance agreement, following the capitalization rules that include all costs of acquisition and installation in the cost of the equipment. If an annual maintenance fee is paid each year, the subsequent cost should be coded to Object 5600, Rentals, Leases, and Repairs. Additional training would be coded to Object 5800, Professional/Consulting Services and Operating Expenditures.

(e) The district's business office purchases an "off-the-shelf" spreadsheet program for use by staff members. Their PCs are on a network, and the software cost includes an original license fee for multiple users. There is an annual software maintenance agreement with this program to provide users with help. The total cost of the contract is $18,000.

Fund	Resource	Project Year	Goal	Function	Object	Amount
01	0000	0	0000	7200	6400	$18,000

- Fund 01 is the General Fund.
- Resource 0000 is for Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7200 is Other General Administration.
- Object 6400 is Equipment as defined by capitalization rules (Procedure No. 801).

A purchase is defined as "equipment" if it has a life of over one year and if the cost exceeds the LEA's capitalization policy. A factor to consider is the difficulty of maintaining software on an inventory of fixed assets.

(f) The district's business office purchases an "off-the-shelf" spreadsheet program for use by the accountant on a "stand-alone" PC. An annual software maintenance agreement with this program provides users with help. The total cost is $350.

Fund	Resource	Project Year	Goal	Function	Object	Amount
01	0000	0	0000	7200	4300	$350

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- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7200 is Other General Administration.
- Object 4300 is Materials and Supplies.

During the following year, the software vendor offers an upgrade of the software.

Fund	Resource	Project Year	Goal	Function	Object	Amount
01	0000	0	0000	7200	4300	$225

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7200 is Other General Administration.
- Object 4300 is Materials and Supplies. A software upgrade is considered a new purchase of materials.

In all of these examples, the initial cost of the software includes the license fee and maintenance agreement. If, during subsequent years, an annual license fee were incurred, it would be coded to Object 5800, Professional/Consulting Services and Operating Expenditures; a maintenance fee would be coded to Object 5600, Rentals, Leases, and Repairs.

Example 2: Purchase of Hardware

(a) The data processing department purchases a computer system that includes hardware and some software packages for the operating system.

Fund	Resource	Project Year	Goal	Function	Object	Amount
01	0000	0	0000	7700	6400	$6,750

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7700 is Data Processing Services.
- Object 6400 is Equipment as defined by capitalization rules. (Procedure No. 801)

In this example the entire package has been capitalized; the operating software is considered part of the cost of getting the hardware installed and functioning. Additional software added later would be coded as either Object 4300, Materials and Supplies, or Object 6400, Equipment, depending on the district's capitalization policy.

Generally, software is a separate and independent item; it is not a part of hardware. A software purchase that includes a license enables the user to move the software from one piece of equipment to another and thus exists independently of the equipment. Therefore, if hardware and software were purchased at the same time, two items would be entered under Object 6400, Equipment: the cost of the hardware and the cost of the software.

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(b) The school nurse buys a PC for his desk that includes software. The cost includes (1) the hardware with operating software for $2500, which includes a maintenance agreement; (2) software designed for school nurse applications for $1500; (3) a license fee of $500 for that software; and (4) an annual maintenance agreement for $350.

Fund	Resource	Project Year	Goal	Function	Object	Amount
01	0000	0	0000	3140	6400	$2,500
01	0000	0	0000	3140	4300	$2,350

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 3140 is Health Services.
- Object 6400 is Equipment as defined by capitalization rules (Procedure No. 801); the specialized software is Object 4300, Materials and Supplies.

The software is not a part of the hardware system and may be considered a supply, Object 4300, because of its life, low vulnerability to theft, and difficulty in tagging. The license fee and fee for the first year of maintenance may be part of the initial cost of the software and therefore may be categorized as a single cost. If either fee is separate from the price of the software and/or is optional in the purchase contract, then the fees would be coded to Object 5800, Contracted Services. In the following year, any upgrade of the software would be coded to Object 4300; a renewal of the license fee or of the maintenance agreement would be coded to Object 5800.

Example 3: Installation and Maintenance of Technology Systems

(a) XYZ District is ordering a complete workover to wire each classroom for the Internet and other technological advances. False floors with wires in conduits are added to the buildings. Underground wiring has also been installed in the classrooms. Underground wiring up to a building is a site cost; wiring inside the building is considered a building cost.

Fund	Resource	Project Year	Goal	Function	Object	School
01	9010	0	0000	8500	6100	000
01	9010	0	0000	8500	6200	000

- Fund 01 is the General Fund.
- Resource 9010 is a locally defined resource representing a donation from a local business.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 8500 is Facilities Acquisition and Construction.
- Object 6100 is Sites and Improvement of Sites, and Object 6200 is Buildings and Improvement of Buildings.
- School is not required.

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(b) Two years later there is a wiring problem in Room 23. The staff electrician locates the problem and repairs the wiring in the cable under the floor. The costs are included in the salary, benefits, and supplies in Maintenance and Operations, as costs of maintaining the facility.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	8100	2200	000
01	0000	0	0000	8100	4300	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 8100 is Plant Maintenance and Operations.
- Object 2200 is Classified Support Salaries, and Object 4300 is Materials and Supplies.
- School is not required.

Although the costs are originally captured by the Maintenance and Operation function, they may be transferred through Object 7370, Transfers of Direct Support Costs from Goal 0000, to an instructional goal based on a work order or another method of documentation. The function is not changed even though the costs can be directly documented; the essence of the maintenance work does not change to instructional work.

(c) The library has a multimedia area for student use. A work order has been completed for construction of a built-in cabinet to house a television, CD player, and videocassette recorder. The resulting cabinet is built into the wall and is an integral part of the building.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	8100	2200	000
01	0000	0	0000	8100	4300	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 8100 is Plant Maintenance and Operations.
- Object 2200 is Classified Support Salaries, and Object 4300 is Materials and Supplies.
- School is not required.

If the LEA wishes to capitalize the cost of the building improvement, the final cost of the addition to the room can be transferred by work order to Function 8500, Facilities Acquisition and Construction. In this case, because the function changes, the correct object is 5710, Transfers of Direct Costs.

If the cabinet were a rolling cabinet instead of built in, it would be considered a piece of equipment. The transfer would be to the relevant goals, such as Goal 1110, Regular Education, K–12; and Function 2420, Instructional Library, Media, and Technology.

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